

# HUD'S RENTAL HOUSING INTEGRITY IMPROVEMENT PROJECT (RHIIP)



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# Introduction

The purpose of this presentation is to explain:

- The ***income and rent integrity problem*** in public housing and voucher programs
- The RHIIP initiative, especially
  - Up-front income verification
  - The rental integrity monitoring (RIM) initiative
  - Program simplification

# Presidential Management Initiative # 10 Mandate

- HUD mandated to reduce errors by **50%** by 2005
- HUD's Annual Performance Plan set interim goals:
  - A **15%** reduction in the dollar amount of error by **FY 2003**
  - A **30%** reduction by FY 2004

# Improper Payments Information Act of 2002

If amount of improper payments exceeds \$10 million, agency must report on resulting actions, including:

- Causes of improper payments, corrective action taken, and results
- Whether the agency has the systems and infrastructure to reduce improper payments
- Steps taken to ensure agency managers are being held accountable

# 2003 PD&R Quality Control Rental Assistance Subsidies Study

- HUD Office of Policy Development and Research (PD&R) measurement of progress in reducing number/dollar amounts of rent calculation errors for 2003
- Data collected from 2,700 households at 600 sites (Section 8, Section 811, Section 202, and public housing)
- Information from tenant files and in-person interviews
- Data collection completed before Summer 2003
- Results reported in 2003 Performance and Account Report and Financial Statement Audit

# Section I

## THE INCOME AND RENT INTEGRITY PROBLEM



# What is the Overall Problem?

- GAO designated HUD's rental housing assistance as one of 22 "high risk" federal government areas
- HUD overpaid \$2.3 billion in annual housing subsidies
  - \$1.7 billion in administrative/component errors
  - \$600 to \$900 million in unreported tenant income
- HUD underpaid \$634 million in annual housing subsidies



# Major Error Findings

PD&R's 2001 *Quality Control for Rental Assistance Subsidies Determinations* study found:

- 34% of households paying at least \$5 per month less than they should
- 22% of households paying at least \$5 per month more than they should
- **60% of rent calculations contain some type of rent, administrative, or component error**

# Rent Errors

Household paid too much rent (overpayment) or too little rent (underpayment). Rent errors include:

- Dollar rent errors
- Gross rent errors
- Net rent errors
- Error rate

# Dollar Impact of Rent Errors

Subsidy overpayments:

- \$95 (average monthly error per tenant)
- \$1.699 billion (total annual program errors)

Subsidy underpayments:

- \$56 (average monthly error per tenant)
- \$634 million (total annual program errors)

# Component Errors

Incorrect calculation of income and expense components.  
Component errors include:

- **Income Components:**
  - Earned income
  - Social Security and pensions
  - Public assistance (TANF)
  - Income from assets
- **Expense/Allowance Components:**
  - Elderly/disabled allowance
  - Dependent allowance
  - Medical, childcare, and disability expenses

**Source:** *Quality Control for Rental Assistance Subsidies Determinations*, 2001, p. 16.

# Dollar Impact of Component Errors

Administrative Type	Average Total Dollar Impact of Component Errors (Per household, per year)
Public Housing	\$4,837
PHA-Administered Section 8	\$5,070
Owner-Administered Section 8	\$3,351

**Source:** *Quality Control for Rental Assistance Subsidies Determinations*, 2001, p. 29.

# Administrative Errors

Errors that result from mistakes in procedure.

Administrative errors include:

- Consistency errors
- Calculation errors
- Transcription errors
- Failure to conduct timely recertifications
- Failure to verify information (e.g., income, family composition)

# Dollar Impact of Administrative Errors

Error Type	Percentage of Households in Error	Average Gross Dollars in Error (Per household, per month)
Transcription Errors	50%	\$12
Calculation Errors—Allowances	8%	\$26
Calculation Errors—Income	3%	\$10
Calculation Errors—Other	23%	\$18
Overdue Recertifications	6%	\$9
Any Administrative Errors	64%	\$12

**Source:** *Quality Control for Rental Assistance Subsidies Determinations*, 2001, p. 38.

# Error Measurement Estimates from 2000 QC Study and Income Matching

	<b>Excess Subsidy- Unreported Earnings</b>	<b>Excess Subsidy- Unreported Unearned</b>	<b>Excess Subsidy- POA Error</b>	<b>Subsidy Shortfall- POA Error</b>	<b>Net Total QC/Income Match Error</b>
<b>Public Housing</b>	\$280	\$14	\$431	\$201	\$524
<b>HCV/ Mod Rehab</b>	\$369	\$49	\$876	\$256	\$1,038
<b>Section 8- Project Based</b>	\$199	\$67	\$362	\$177	\$451
<b>Total</b>	\$848	\$130	\$1,669	\$634	\$2,013

This chart includes a breakdown of the various subsidy determination errors by program groupings in \$ millions. The first two columns of data come from income matching, the third and fourth from the QC study.



# QC Study and IG Recommendations

- Provide POAs with forms/training/other tools needed to determine rent correctly
- Hold POAs accountable for implementing regulations and correct rent calculations
- Simplify federal laws/regulations/HUD requirements
- Support occupancy functions and conduct POA outreach regarding availability of occupancy-related resources

## Section II

# RENTAL HOUSING INTEGRITY IMPROVEMENT PROJECT



# How HUD Is Addressing the Problem

- Reassessing operations
  - Studying other agencies' error reduction efforts (e.g., Food Stamp Program's quality control program)
  - Emphasizing options with the most error reduction payoff
- **Rental Housing Integrity Improvement Project**
  - Reduce errors
  - Ensure the “right benefits go to the right persons”
  - Stretch HUD's limited program funds to serve as many people as possible

# RHIIP Components

- Error measurement (PD&R)
- Training and technical assistance
- Program guidance
- Incentives and sanctions
- **Program simplification**
- **Up-front income verification (UIV)**
- **Rental integrity monitoring (RIM)**

# Impact of Improving Accuracy of Income and Rent

- Corrects subsidy estimates and payments
- Prevents costly and time consuming corrections
- Ensures fundamental fairness among families
- Serves more eligible households
- Ensures the integrity of HUD's financial statement
- Reduces errors

## Section III

# UP-FRONT INCOME VERIFICATION



# Up-Front Income Verification (UIV)

- **Definition:** Verification of income, before or during a family reexamination, through an independent source that systematically and uniformly maintains income information in computerized form for a large number of individuals.
- Key strategy for reducing the error rate
- Notice PIH 2001-15 strongly encourages UIV in addition to third party verification

# Current Resources for UIV

- Social Security (SS) and Supplemental Security Income (SSI) information accessed via a secure Internet facility (TASS)
- State Wage Information Collection Agencies (SWICAs)
- State TANF systems
- Credit Bureau Association (CBA) Credit Reports
- Internal Revenue Service (IRS) Letter 1722
- Private sector databases (e.g., The Work Number)



# Model Programs

## **Delaware: Delaware State Housing Authority**

- Mainframe computer linked with Department of Labor (DOL) and Department of Health and Human Services (HHS). Other state PHAs also have link
- Receives DOL wage/unemployment/disability benefits data
- Receives HHS welfare benefits/child support information
- Link prevents fraud since tenants know income and benefit checks are being performed

# Other Model Programs

- ***Virginia:*** Fairfax County Department of Housing and Community Development, Compliance and Community Relations Program
- ***Arizona:*** City of Phoenix Housing Department
- ***South Carolina:*** Housing Authority of the City of Columbia
- ***Oklahoma:*** Oklahoma City Housing Authority and Oklahoma Housing Finance Agency

# Future Resources for UIV

- HUD UIV system
- Health and Human Service's (HHS) National Directory of New Hires Database
  - HR-1030 (legislation pending) would allow HUD to compare public and assisted housing-related employment and income data with HHS New Hires Database

# HUD UIV System

- **Objective:** Make integrated income data available to PHAs from one source, via the Internet, to improve income verification and reduce errors
- HUD agreements with SWICAs will let PHAs access information through HUD's database
- Goal: Agreements with 20 states by end of 2003
- HUD UIV pilot (PHAs in Florida, Ohio, and Texas)
- Implementation

# HUD UIV System (cont.)

## *Protocol:*

- HUD matches Social Security Numbers (SSNs) and PIC data with SWICA data for all tenants over 18 years of age.
- If the SSN is not in PIC, data will not be made available
- Initially, 100% four times per year, may go to upcoming recertifications
- Link in UIV system to OIG Hotline

# HUD UIV System (cont.)

## ***Security (HUD):***

- Data held in secure sub-systems/modules in PIC system
- Internet data access limited to requesting agency
- Records maintained on PHA requests and responses from SWICAs, private vendors, and SSA
- Records maintained and reports sent to SWICAs, private vendors, and SSA on data archived or destroyed

# HUD UIV System (cont.)

## ***Security (PHAs):***

- Form 9886 or equivalent information must be on file
- Tenant files must be securely maintained

## Rental Housing Integrity Improvement Project



**OFFICE OF INSPECTOR GENERAL  
U.S. Department of Housing and Urban Development  
WASHINGTON, D.C. 20410-4500**

### HOTLINE COMPLAINT INTAKE FORM

#### COMPLAINT INFORMATION

Date: \_\_\_\_\_

#### COMPLAINANT CONTACT INFORMATION

PHA Name: \_\_\_\_\_

Point of Contact Name: \_\_\_\_\_

Address: \_\_\_\_\_  
(Street)

\_\_\_\_\_  
(City) (State) (Zip Code)

Telephone: (Work) \_\_\_\_\_ (Cell Phone) \_\_\_\_\_

Email: \_\_\_\_\_

#### SUBJECT INFORMATION

Subject Name or Name of Business: \_\_\_\_\_

Subject Address (If known) \_\_\_\_\_  
(Street) (City) (State) (Zip Code)

#### COMPLAINT SUMMARY (Attach additional pages if necessary):

Loss Amount:

Nature of Allegation:

Initial Certification: \_\_\_\_\_ Recertification: \_\_\_\_\_

**Hotline: 800-347-3735**

**Fax: 202-708-4829**

**E-mail:**  
**[hotline@hudoig.gov](mailto:hotline@hudoig.gov)**





*United States Attorney  
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FOR IMMEDIATE RELEASE  
JUNE 3, 2003

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**31 CHARGED WITH FEDERAL HOUSING FRAUD  
THAT COST THE GOVERNMENT MORE THAN \$650,000**

JAMES B. COMEY, the United States Attorney for the Southern District of New York; RUTH A. RITZEMA the Special Agent in Charge of the New York/New Jersey Office of the Inspector General of the U.S. Department of Housing and Urban Development ("HUD"); and CHARLES A. COLA, the Commissioner of the Yonkers Police Department, announced that 31 defendants were charged with obtaining private housing rental subsidies to which they were not entitled. Twenty-seven were arrested and 4 others were being sought.

The defendants were charged in 14 separate criminal Complaints unsealed in White Plains federal court and were presented in Court today before United States Magistrate Judge George A. YANTHIS. The defendant's fraud is alleged to have cost the federal government more than \$650,000.

# TheJournalNews.com

The online information source for Westchester, Rockland and Putnam

## Yonkers housing fraud bust nets charges against 31

By WILL DAVID

THE JOURNAL NEWS

(Original publication: June 4, 2003)

YONKERS — A federal and local investigation aimed at stamping out fraud in the Yonkers Municipal Housing Authority's Section 8 rent subsidy program culminated yesterday with the arrests of 27 people, and four others are being sought in connection with the probe, authorities said.

The 31 people charged in the investigation — all but two from Yonkers — are accused of obtaining private housing rental subsidies they were not entitled to because their incomes were too high, said James B. Comey, the U.S. attorney for the Southern District of New York.

## Section IV

# RENTAL INTEGRITY MONITORING



# Rental Integrity Monitoring (RIM)

In June of 2002, HUD Headquarters directed HUD Field Offices to conduct onsite monitoring of PHAs—RIM Reviews—to:

- Detect and reduce errors in income and rent calculations at targeted PHAs
- Reduce rent underpayments and overpayments by residents
- Maximize HUD's limited housing resources

# Establishing a Baseline for Measuring Error Reduction

RIM Reviews of PHAs, conducted from 7/02 through 1/03, examined:

- Income and rent
- PHA management of the occupancy function
- Verification and documentation
- Consistency between HUD-50058 data and PHA onsite records

RIM Review Error Tracking Reports, submitted 2/14/03, form baseline of rent/administrative/component errors affecting rental subsidy payments

# What is a RIM Review?

Onsite monitoring of PHA policies and procedures related to income and rent determinations, performed by Field Office reviewers, including:

- Review of sample tenant files
- Gathering of PHA income and rent information
- Assessment of PHA policies and procedures
- Identification of income and rent errors
- Analysis of income and rent errors to establish root causes/recommended corrective actions
- Recording of income and rent findings and errors

# Selection of PHAs—Original

HUD Field Offices used the existing PIH risk model, especially SEMAP- and PHAS-troubled PHAs, to determine PHAs most likely to have serious rent and income errors. Model supplemented by:

- SEMAP Indicators #3, #9, and #10
- Information from the PD&R Quality Control Study on income errors
- REAC large-scale match data
- As a result of these criteria, over 360 PHAs already received RIM reviews

# Selection of PHAs—New Guidance

- ***Top priority:*** RIM Reviews completed for an additional 347 PHAs by September 30, 2003.
- ***Second priority:*** Follow-up RIM reviews



# RIM Review Onsite Monitoring Activities

- Occupancy functions
  - Skill level and competency
  - Staff training program
  - Occupancy policies
  - PHA “job-aids” (forms, worksheets, guides, etc.)
  - Process for accepting and processing applications
  - Computer software and programs

# RIM Review Onsite Monitoring Activities (cont.)

- Verification and documentation procedures
  - Reliability and acceptability
  - Extent of usage of UIV and third-party verification
- Tenant records
  - Consistency
  - Completion
  - Security

# PHA RIM Review Summary Report

- Describes findings and basis for findings
- Outlines strategies for correcting the findings
- Includes targeted dates for completing corrective actions
- Findings will be communicated to the PHA
- Preliminary findings to date mirror those from the PD&R Quality Control Study on income errors

# Sample RIM Report Findings

- Lack of verification of income/deductions
- Earned income/pension/public assistance miscalculations
- Incomplete/outdated PHA policies
- Data not being transferred to MTCS/PIC
- Documentation in file did not match data used to determine income and rent
- Failure to offer choice of rent (flat rent or income-based)
- Hardship exemptions not being offered
- Improper calculation of utility allowances

# Sample Recommended Corrective Actions

- Establishing or improving internal quality control systems
- Establishing or improving procedures for gathering data for rent calculations
- Providing additional staff training
- Developing a checklist and log of required documents
- Using up-front as well as third-party verification of data whenever possible
- Successfully submitting 85% of participant data into MTCS/PIC

# Follow-up and Resolution

HUD Field Offices will:

- Monitor on an on-going basis PHAs' progress in resolving income and rent error findings/discrepancies
- Track PHAs' responses to report issues
- Report findings to Headquarters via quarterly updates of the Error Tracking Reports
- Analyze any PHA difficulties in addressing issues/ taking appropriate actions and provide technical assistance, as needed
- Corrective Action Plan, if required

# Next steps for PHAs

- Review occupancy procedures for compliance with regulations
- Update or develop worksheets or forms as needed
- Review the consent or release form
- Review competency of occupancy specialists and train as needed on income and rent determination, changes in the law, and revised forms
- Explore up-front and third party verification resources, including technological solutions
- Institute internal quality control checks

# Conclusion

- HUD and PHAs need to work ***together*** to reduce income determination and rent calculation errors and meet the mandated goals:
  - A **15%** reduction in the dollar amount of error by FY 2003
  - A **30%** reduction by FY 2004
  - A **50%** reduction by FY 2005
- Reducing errors means more housing money for the people who need it the most.



# Questions and Answers

